



FAIRFAX COUNTY

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V I R G I N I A

February 27, 2006

Honorable Board of Supervisors
County of Fairfax
Fairfax, Virginia 22035

Mr. Chairman, Ladies and Gentlemen:

I am pleased to forward for your review and consideration the Fairfax County *Advertised Capital Improvement Program (CIP) for Fiscal Years 2007 – 2011, with Future Fiscal Years to 2016*. The CIP is an important document which is linked strategically to the Comprehensive Plan and the County's Budget. I believe that this proposed program provides a framework for scheduling new facilities in a systemic and cost-effective manner which addresses the County's existing and future facility needs.

The CIP will be released concurrently with the FY 2007 Advertised Budget Plan and will be available on compact disc (CD).

During the development of this year's CIP, the following primary objectives were accomplished:

- Continued to apply the adopted criteria for recommending, prioritizing and ranking all existing and future CIP projects;
- Reviewed the County's current debt and bond referendum capacities to determine the resources available to support identified CIP projects;
- Developed new criteria to provide important guidance in determining the best projects to be included on future bond referenda;
- Provided flexibility for the Board of Supervisors to respond to emerging community needs, such as transportation and other requirements;
- Identified a portion of the funding required to address capital renewal needs at some County facilities;
- Continued to enhance the CIP document and format and presentation by improving the organization of the Government Facilities section and adding selected illustrations of proposed capital projects;
- Continued to enhance and simplify the CIP submission process and worked with County agencies to develop their CIP requirements.

1. Applied the Principles and Criteria to Prioritize and Rank All CIP Projects

The Principles and Criteria first adopted by the Board of Supervisors in FY 2003 were used to develop the priority ranking of all existing and future CIP projects shown in the "Project Lists" section of the CIP. Application of these criteria ensures that each recommended project supports the policy objectives of both the Board of Supervisors and the Comprehensive Plan. These criteria are used to rank the priority of projects from 1 (immediate) to 4 (future but not scheduled in CIP Period) in order to indicate the relative time period in which a project may be initiated, and allocated available resources.

2. Reviewed the County's Debt and Bond Referendum Capacities

A review of the County's debt and bond referendum capacities is conducted annually. The FY 2007 – FY 2011 Advertised Capital Improvement Plan includes an increase of \$75.0 million per year for increased bond sale capacity. Additional capacity is needed in order to keep pace with rising construction costs and to provide flexibility in completing approved referenda projects. Correspondingly, the target on annual sales is proposed to increase from \$200 million or \$1 billion over a five-year period to \$275 million or \$1.375 billion over a five-year period, with a technical limit of \$300 million in any given year. The ratio of debt to taxable property value is projected to remain less than 3.0 percent and the ratio of debt service to Combined General Fund disbursements is projected to remain less than 10.0 percent. Recent discussions with bond rating agencies have reaffirmed the importance of maintaining strict adherence to these principles. As of June 30, 2005, the ratio of debt service to General Fund disbursements was 8.0 percent and net bonded indebtedness as a percentage of estimated market value was 1.22 percent.

Proposed Bond Referenda

In order to better plan for the future, I have identified County bond referenda every other year beginning in the fall of 2006 through the fall of 2010. This future bond referendum schedule will begin to address some of the many County capital projects and program requirements. Three referenda are planned during the 5 year CIP period, including a 2006 referendum totaling \$125 million, a 2008 referendum totaling \$100 million, and a 2010 referendum totaling \$120 million. The 2006 referendum will provide funds for the design, construction and related costs for various public safety projects including the renovation and expansion of the Reston, McLean and Fair Oaks Police Stations, a new replacement Great Falls Fire Station, Phase I improvements for the Fire and Rescue Training Academy, renovation and capital renewal of portions of the Historic Courthouse, renovation and expansion of the West Ox Animal Shelter, and capital renewal for Facilities Management major system upgrades at older public safety buildings.

The 2006 referendum as identified in last year's CIP was also targeting Neighborhood Improvement and Commercial Revitalization projects. For projects of this nature, significant time is required to develop the project scope, conduct the necessary legal and environmental research, coordinate with the public and determine accurate project cost estimates. As bond funds must be spent within an eight-year timeframe, it is difficult to use bond funds given the many time consuming steps in the process and the possibility for unforeseen project delays. Delays could prohibit project completion within the eight-year window of opportunity for the use of bond funding. As the County wishes to maintain and not jeopardize its strong and widely respected bond financing program, staff will be reviewing the Neighborhood Improvement program and Commercial Revitalization program to make recommendations on the most appropriate financing strategies for these types of projects. As part of this review staff also will be examining the long term impact of proposals utilizing the Commonwealth's Public-Private Education Facilities and Infrastructure Act of 2002 (PPEA) and the use of the various types of authorities and fee structures that have been proposed in the context of supporting these programs. Use of these tools can be advantageous in the context of the debt limits established by the Ten Principles of Sound Financial Management.

The 2008 referendum is anticipated to include projects for County public facilities, parks and the County's contribution to the Northern Virginia Regional Park Authority. The 2010 referendum includes Transportation and other public facilities. These referenda will be supported within the proposed debt service capacity.

3. New Criteria for Including Projects on Referenda

To improve the effectiveness of the CIP, staff developed new criteria to provide improved guidance in determining the best projects to be included on future bond referenda. Application of these criteria will ensure that project scopes, cost estimates, and pre-planning requirements have been fully completed before projects move forward to referenda. This will help ensure that projects put forward for bond approval can be completed within the time limits provided by sunset provisions. The criteria consist of six elements for measuring project readiness and inclusion on future referenda lists:

- ◆ The following work has been completed on the project: needs assessment, space programming, conceptual design, assessment of the level of capital renewal work, and development of total project costs based on outside construction cost estimates and the approved project scope of work.
- ◆ The site for the project has been selected and the County has reasonable expectations for the timeframe and cost associated with acquiring the project site, if applicable.
- ◆ There is reasonable assurance that the project can be fully designed, site and building permits approved, and construction started within 5 years of bond approval.
- ◆ There is reasonable assurance that the project can be constructed and the User Agency can occupy the facility within 8 years of bond approval.
- ◆ The project has a reasonable contingency built into the total cost estimate and/or referendum value to deal with market uncertainty.
- ◆ Preliminary operational budget requirements have been estimated for the User Agency's target occupancy date.

4. Provided Flexibility

Although the CIP is a strong planning tool, it also must provide the Board of Supervisors flexibility to respond to emerging needs and issues. It is recognized that as new capital needs arise, the County must be in the position to appropriately respond. Transportation requirements and pedestrian initiatives, public safety, stormwater management issues, and opportunities for the additional acquisition of open space are among the needs that may require additional attention. The FY 2007 – FY 2011 CIP provides flexibility to address some of these issues in future years.

In addition, as part of the CIP process, staff has reviewed immediate capital requirements and availability of current resources. In FY 2006, General Fund revenues are higher than projected, with additional revenue of approximately \$68 million anticipated. It is imperative that the County take advantage of these higher than anticipated revenues to begin to address some critical issues. I will propose the use of some of this revenue for much needed capital improvement projects to address infrastructure improvements or one-time facilities requirements. Some of the major projects to be included for the Board's consideration in the *FY 2006 Third Quarter Review* include additional funding to: address deferred maintenance and capital renewal projects in County facilities; address significant security and safety issues in the County's enterprise data center; provide emergency funding in the event of HVAC or other large systems failures; provide for the transitional housing unit component of the new Katherine K. Hanley Homeless Shelter; and stabilize the Burkholder and Belle Willard facilities based on the County's assumption that these facilities will be transferred from the Schools in FY 2006. In addition, funding for renovation of the Belle Willard facility provides an ideal, much-needed replacement

site for the County's health laboratory, currently located in leased space, and the addition of the Dranesville District Supervisor's office to the Dolley Madison Library renovation will free up essential space for police station expansion where the current office is located. Funding for a number of other one-time organizational requirements will be detailed as part of the *FY 2006 Third Quarter Review*.

Overall, approximately 163 capital projects (i.e., fire stations, libraries, human service facilities) and capital programs (i.e., watershed planning, athletic field maintenance, dam safety programs) have been identified for future requirements beyond the CIP period. Of this amount, preliminary cost estimates have been developed for approximately 69 percent or 112 projects and programs. For planning purposes, these preliminary estimates indicate a projected requirement of over \$1.698 billion. Concept design for the remaining 31 percent of the projects and programs is required and cost estimates are being developed. Cost estimates for long term CIP projects are based on preliminary project descriptions provided by the requesting agency, and include all estimated costs for land acquisition, permits and inspections, project management and project engineering, consultant design, construction, utilities, fixed equipment, and information technology infrastructure. Preliminary scoping and concept work have not been completed for these projects and estimates are in today's dollars. Therefore, each estimate is considered an Estimate - No Scope, No Inflation (ENSNI). It is expected that total funding requirements will grow as these cost estimates are refined.

5. Identified a Portion of the Funding Required to Address Capital Renewal

As has been stressed in the last three capital programs, the renewal of the County's building subsystems such as roof replacement, electrical systems, plumbing and HVAC systems require increasing attention. Excluding schools, parks, revenue facilities, leased space, housing and human services residential facilities, Fairfax County owns and manages 140 buildings with approximately 7.6 million square feet of space. With such a large inventory, and the possible construction and acquisition of additional space, it is important that a program of facility repair and renewal be adequately supported.

To begin addressing this issue, the fall 2004 bond referendum for libraries and human service/juvenile facilities included \$5.0 million in general obligation bonds for capital renewal efforts. As previously mentioned, another \$5.0 million is proposed for a fall 2006 public safety bond referendum to fund capital renewal for major system upgrades at older public safety buildings. As the County's facilities continue to age, additional funding must be identified to avoid system failures that disrupt County services. The County remains committed to addressing capital renewal requirements for aging facilities by the use of planned bond referendum, and one time General Fund dollars, as available.


6. Refined and Simplified the CIP Process

During the development of this year's program, staff continued to enhance the CIP process, refining the agency submission process and communicating more frequently with County agencies during the development of the CIP. This year's document continues the format enhancements begun in FY 2004 which have been very well received by CIP users, the Board of Supervisors and other Boards, Authorities and Commissions. Staff continues to improve and enhance the document as needed. This year the Government facilities chapter has been modified to include a revised "Facility Management and Renewal" section which focuses on Capital Renewal, Department of Vehicle Services, Laurel Hill Projects and other facility related improvements. In addition, selected illustrations of proposed public facilities have been added to the document to illustrate projects that are within the design or construction phases. As stated earlier, the CIP will once again be released concurrently with the FY 2007 Advertised Budget Plan, and will be available on both the Budget CD-ROM and the County's website making it readily available to County citizens.

Conclusion

I believe the County's proposed *FY 2007 – FY 2011 Capital Improvement Program, With Future Fiscal Years to 2016*, will continue to provide substantial benefits to the County's financial and comprehensive planning efforts and provide a course for continuing to address the County's capital requirements, managing existing capital facilities, and completing important new capital projects. Your action on this five year program will provide the guidance necessary for the efficient and timely provision of services to the citizens of Fairfax County. In this regard, I look forward to working with the Board of Supervisors, boards and commissions, the County staff, and the community to complete this important work.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'A. Griffin' with a stylized flourish at the end.

Anthony H. Griffin
County Executive